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KYRGYZ REPUBLIC

USAID REFORMA Project

Year Two, Third Quarterly Report

Second Quarter 2013

July 10, 2013

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1. Major Accomplishments and Summary of Activities and Challenges

The following table describes REFORMA's major accomplishments and summary of activities and challenges in the Second Quarter:

Second Quarter 2013 Status Summary of REFORMA's Project Activities

Second Quarter 2013 Status Summary of REFORMA's Project Activities	
New Projects Launched in the Second Quarter of 2013	<ul style="list-style-type: none"> • Optimizing the Legal Framework and its Implementation for Conducting Business Inspections • Study on the Need for a Law on Self-Regulatory Organizations (SROs) • Phase II of HICD for the State Geology Agency – Web Site Development • Phase II of HICD for the State Geology Agency – Licensing Data Base Development. • Taxpayer Survey for the Universal Tax Declaration Campaign • Phase I HICD Assessment of the Tourism Department of the Ministry of Culture, Information and Tourism
Ongoing Projects throughout the Second Quarter of 2013	<ul style="list-style-type: none"> • Public Outreach and Awareness for Introducing the Uniform Tax Declaration Regime • Medium- and Long-Term Development Strategy of the Mineral Resources Sector • Passage of a Framework Licensing Law • Second Issue of REFORMA Project Newsletter
Projects Completed or Near-Completed in the Second Quarter of 2013	<ul style="list-style-type: none"> • Study on Indirect Tax Policy and Administration • Commodity Procurements for the Ministry of Economy and the State Agency for Geology • Support for Discussion of the Development of a Ski Tourism Cluster • Participation of a Kyrgyz Mining Delegation at the MINEX International Mining Industrial Forum
Projects to be Launched in the Third Quarter of 2013	<ul style="list-style-type: none"> • Analysis of STS Administrative and Businesses Processes and Private Sector Experience of VAT Registration, Reporting, Crediting and Refunding • Development of a Strategy and Action Plan for Sustainability of the Secretariat of the Business Development and Investment Council • Review of the Legal and Regulatory Structure of the Tourism Sector • Phase II of HICD for the State Agency for Geology – Optimization of the Reporting Process for Private Sector Mining Exploration and Development. • Institutionalization of the Strategic Planning Process within the Ministry of Economy • Presentation at the International Society for Performance Improvement (ISPI)

New Projects Launched in the Second Quarter of 2013

Optimizing the Legal Framework and its Implementation for Conducting Business Inspections by the State Inspectorate for Ecological and Technical Safety. REFORMA is supporting the Ministry of Economy (MoE) by undertaking a pilot review of the normative legal acts (NLAs) that govern the authorities, functions, and conduct of environmental and technical safety inspections of businesses. The result of this analysis will be to recommend ways to streamline and optimize the underlying legal framework for inspections conducted by the State Inspectorate for Ecological and Technical Safety. REFORMA is also conducting a survey of 150 small and medium enterprises (SMEs), of which 50 will represent the mining sector, to supplement this analysis and determine to what degree laws and regulations have been implemented in practice. To undertake this project, REFORMA awarded a competitive tender in June to **EcoPartner**, a legal and consulting firm. The results of the survey will inform the design of subsequent activities to reduce the regulatory burdens of inspections while strengthening the capacity of the State Inspectorate as part of a Human and Institutional Capacity Development (HICD) program planned for launch later in the year.

Study on the Need for a Law 'on Self-Regulatory Organizations (SROs)'. Before responding to the MoE's request to draft a Law 'On Self-Regulatory Organizations,' REFORMA proposed to conduct a review of international practices in governing SROs to determine if such a law was

necessary within the legal framework in the Kyrgyz Republic. REFORMA hired a consultant to undertake such a review, canvass the business community, and recommend the appropriate legal structure that would define the role, functions, rights and privileges of SROs in the Kyrgyz Republic. The work was initiated in May and is expected to be completed by the end of July. In mid-July, REFORMA will conduct a round table for business associations to seek feedback on draft recommendations prior to presenting final recommendations to the MoE, other Government ministries and agencies, business associations and private sector representatives, and members of the media. If it is determined that the Kyrgyz Republic's legal framework requires such legislation, REFORMA will subsequently support the drafting of such a law.

Phase II of HICD for the State Geology Agency – Web Site Development. In June, REFORMA awarded a contract to **Yaros** to develop a modern, functional and tri-lingual website for the State Agency. Through this website, the Agency will be able to promote transparency in its operations and provide information and required documentation to the public and potential investors who will participate in future auctions and competitive tenders for mining rights. It is expected that the website will be completed by the end of August and staff trained on its ongoing maintenance and support.

Phase II of HICD for the State Geology Agency – Licensing Data Base Development. REFORMA's HICD Assessment of the State Agency revealed the critical need to develop a comprehensive data base to centralize and enable access to this information across the Agency and with the MoE's Mining Policy Department. Consequently, REFORMA issued a competitive tender in May to contract the development of this data base, under the ongoing management of a short-term consultant that REFORMA hired to provide IT advice to the State Geology Agency. REFORMA received four (4) tender proposals and recently awarded this work to **TimelySoft**, who is expected to launch this six-month project early in the third quarter.

Taxpayer Survey for the Universal Tax Declaration Campaign. Also in May, REFORMA issued a competitive tender to conduct a taxpayer survey of public perceptions of the filing requirements for universal tax reporting, to include attitudes about the recently adopted law that awards tax amnesty to those who voluntarily register sources of assets purchased and income generated prior to the end of 2012. Results of this survey will assist in planning REFORMA's anticipated public education, outreach and training program for universal tax reporting in 2014 and will provide a set of baseline indicators for reporting REFORMA's level of impact in increasing public awareness of tax reporting requirements. REFORMA received a total of 10 proposals for the conduct of this survey, which we expect to award in early July. The survey will be completed by the end of September and will be repeated one year from now for end-of project impact reporting.

Phase I of HICD in the Tourism Department of the Ministry of Culture, Information and Tourism. REFORMA recently launched its third HICD Assessment Program for the Tourism Department in response to requests from both the Department and private sector stakeholders for assistance in developing its human and institutional capacity. Upon receiving 11 tender proposals, REFORMA selected **CAI Consulting**, in cooperation with **Signum Consulting**, to implement the assessment. REFORMA expects that the assessment phase will be completed by the beginning of September.

Ongoing Projects throughout the Second Quarter of 2013

Public Outreach and Awareness for Introducing the Uniform Tax Declaration Regime. The USAID REFORMA Project's public education campaign to raise taxpayer awareness of the upcoming universal tax reporting requirements is well underway with the March launch of newspaper columns, internet banners, a Facebook page, and information distributed through the websites of the State Tax Service (STS), the MoE, and the Chamber of Tax Consultants (CTC). Tax declaration issues covered in the media campaign so far have included the reasons why Parliament postponed universal declaration until 2016, why it is beneficial for certain categories of taxpayers to file voluntary declarations beginning in 2013, and what allowable social and property-related tax deductions are

currently available for filers. Before this year's April 1 filing deadline, the team placed banners on key websites reminding taxpayers to file their returns for the previous tax year. In the upcoming months, the REFORMA Project will also publicize the provisions of a new Law, which will allow all citizens to legalize previously unclaimed revenues and other taxable assets that were generated through December 31, 2012 without tax assessment or penalty.

Medium- and Long-Term Development Strategy of the Mineral Resources Sector. The REFORMA team that has been formulating the Development Strategy continued its policy research and discussion activities throughout the second quarter. Now nearing the end of this project phase, the draft Medium- and Long-Term Development Strategy is expected to be completed, presented, and discussed with Minister of Economy and key members of the Government by the end of July. In August, REFORMA will conduct a large-scale presentation of the Strategy to all stakeholders for further discussion and finalization. The MoE expects the Government and the Parliament to adopt the Strategy by year-end. REFORMA plans to continue to support the refinement and implementation of the Strategy by helping the Government to develop an Action Plan for implementation and drafting amendments and subordinate legislation to implement the provisions of the Strategy.

Passage of a Framework Licensing Law. After 10 months of review by the Government due to wide differences in opinion among government institutions, the framework Law 'On Licenses and Permits in the Kyrgyz Republic' was presented to Parliament before the end of this legislative session. The Parliamentary Committee for Fiscal and Economic Policy will review the law during July and prepare it for discussion when the legislature resumes in September. REFORMA may support Parliamentary hearings on the draft Law, but, overall, our role in the licensing and permitting reform process has been nearly completed. Nevertheless, REFORMA may provide support for implementation of the provision for self-regulatory organizations in the draft Law on Licenses and Permits based on the outcome of its current SRO study.

Second Issue of REFORMA's Project Newsletter. In June, REFORMA released its second newsletter issue for electronic and hard copy distribution to nearly 400 Government counterparts, private sector and NGO partners, and international donor organizations throughout the Kyrgyz Republic.

Projects Completed or Near-Completed in the Second Quarter of 2013

Study on Indirect Tax Policy and Administration. During the second quarter, REFORMA finalized our Study on Indirect Tax Policy and Administration and circulated copies of the study among stakeholders for comment. In the study, REFORMA evaluated the current challenges in VAT and sales tax policy and administration and made specific policy recommendations and improvements in simplifying and administering the VAT regime. Following REFORMA's presentation of initial recommendations, First Vice Prime Minister Otorbaev requested that REFORMA provide technical support to a public-private working group that will be formed to build consensus on final policy considerations. Nevertheless, the completion of this study coincided with a Government decision to transfer responsibility for formulating and implementing fiscal policy from the MoE to the Ministry of Finance (MoF), which was contested by the MoE. The resulting uncertainty required that REFORMA postpone the formation of a public-private working group until ministry roles could be determined. As of the end of the second quarter, however, it has become clear that the MoF will be responsible for fiscal policy, and REFORMA will begin to work with an intergovernmental working group that the MoF established to reach consensus on the resolution of indirect tax policy consensus as envisioned by Mr. Otorbaev.

Commodity Procurements for the MoE and the State Agency for Geology. REFORMA budgeted for counterpart commodity equipment purchases as part of our overall assistance program. Consequently, REFORMA has provided a first tranche of this equipment to two key Government counterparts as part of our reform program to stimulate development of the mineral resources sector. At a ceremony conducted on April 4, REFORMA provided computer hardware, advanced geological

modeling software, and other Information and Communication Technology (ICT) equipment to the Mineral Resources Policy Department with the participation of Minister of Economy Temir Sariev and Mark Fernando and Daniyar Ilebaev from USAID. Previously, on March 20, REFORMA presented IT hardware and software equipment to the State Geology Agency to close some of the immediate gaps in the Agency's equipment needs. With the launch of two information technology-related HICD projects at the State Geology Agency, REFORMA will further determine the level of additional IT support that the project will propose to provide to the Agency.

Support for Discussion of the Development of a Ski Tourism Cluster. In conjunction with our current activity to research international practices in self-regulation, in May REFORMA sponsored a two-day meeting of ski tourism businesses and national and local government officials in Karakol. The purpose of the meeting was to discuss the development of a "Ski Tourism Cluster," a new concept for developing the skiing industry in the Kyrgyz Republic that is being considered for inclusion in the President's Sustainable Development Strategy Road Map 2013-2017. The leaders of this initiative, the Union of Entrepreneurs and the Secretariat of the Investment Council, presented their vision of the responsibilities and privileges self-regulatory authority could take, including the autonomy to set facility and service standards and monitor compliance to stimulate growth. They also unveiled a proposed program of tax incentives designed to draw private investment into infrastructure development.

Participation of a Kyrgyz Mining Delegation at the MINEX International Mining Industrial Forum in Astana, Kazakhstan. The REFORMA Project assisted a delegation of Government counterparts to participate in the Fourth Annual MINEX International Mining Industrial Forum, held from April 16 to 18 in Astana. REFORMA sponsored the participation of six Government officials from both the MoE and the State Geology Agency. The purpose of the forum is to stimulate multilateral discussion of regional perspectives for development of the mineral resources sector. Participants shared information and exchanged views on current development perspectives and various initiatives pursued in the mining sectors of countries in the CAR region. In addition, Director of the State Agency for Geology and Mineral Resources, Mr. Ishimbal Chunuev, presented a case for the vast potential of the mineral and raw materials development of the Kyrgyz Republic.

Projects to be Launched in the Third Quarter of 2013

Analysis of STS Administrative and Businesses Processes and Private Sector Experience of VAT Registration, Reporting, Crediting and Refunding. During the conduct of REFORMA's Indirect Tax Policy Study, our experts identified a number of administrative processes that hamper the ability of the STS to efficiently and effectively manage the VAT regime. At the same time, the private sector contests that the VAT system is needlessly burdensome in compliance requirements. Consequently, REFORMA is designing a follow-on study to analyze specifically the STS's business processes associated with VAT administration, while also determining where the major bottlenecks exist from the perspective of private sector experience. The goal of the study is to identify specific recommendations to improve the way in which the STS administers the VAT regime to improve tax collections and reduce opportunities for VAT fraud, while determining how to reduce the burdens of VAT reporting and payment for the private sector. Early in the third quarter, REFORMA will issue a competitive tender to local firms to undertake this two-part study. REFORMA will also mobilize an international VAT advisor to work with the selected implementing partner in conducting the STS business process review, undertaking surveys of VAT taxpayer experience, analyzing results and making recommendations for reform implementation.

Development of a Strategy and Action Plan for Sustainability of the Secretariat of the Business Development and Investment Council. Both the Government and the private sector believe that the Business Development and Investment Council and its Secretariat play a critical function in promoting public-private dialogue (PPD) in the Kyrgyz Republic. Although both the business community and the Government view the Secretariat's performance as highly positive, REFORMA believes that it could be substantially more effective in supporting PPD and building the Council's

sustainability if it developed and implemented a more formal strategic plan. Consequently, REFORMA plans to engage the input of an international specialist in PPD to help the Secretariat formulate its long-term strategic goals and first year action plan. This would greatly enhance its ability to drive the implementation and monitoring of economic reforms. To begin to implement this strategy, REFORMA also plans to provide grant funding to the Secretariat when our Grant Program is finally approved by USAID.

Review of the Legal and Regulatory Structure of the Tourism Sector. The Tourism Department of the Ministry of Culture, Information and Tourism requested that REFORMA provide assistance in undertaking a review of the sector's legal framework, a task that has been identified for tourism development as part of the Swiss-funded International Trade Center's (ITC) export development strategy. The export development strategy, nearing completion of its eight-month development process, has identified that optimizing the legal and regulatory framework for tourism is a key sector development objective. Although developing the tourism sector is crowded with international donor assistance, no organization has offered to provide such support for improving the overall business environment. In the third quarter, REFORMA will work with the Tourism Department to design a scope of work to undertake this activity, which will help determine the provisions required for a revised 'Law on Tourism.'

Phase II of HICD for the State Agency for Geology –Optimization of the Reporting Process for Private Sector Mining Exploration and Development. REFORMA is currently developing the scope of work for this project, which will be launched during the third quarter. Its objective is to standardize mining licensee report requirements and reporting templates for the reports that mining companies are required to submit to the Agency, as well as those reports that the Agency submits to various Government institutions such as the MoE, the Ministry of Finance, and others. REFORMA and Geology Agency staff are currently identifying the activities that will be implemented under this program. REFORMA plans to identify and mobilize a local consultant to undertake this activity.

Implementation of the Strategic Planning Process within the MoE. As part of the continued implementation of HICD recommendations within the MoE, REFORMA will soon launch another phase of assistance. A reorganization of the Ministry's functional structure was finally approved by the Government in the second quarter, which was a prerequisite for providing assistance in the implementation of a permanent strategic planning function within the Ministry. At the same time, REFORMA's primary working counterpart at the MoE, Ms. Aidai Kurmanova, was recently appointed Permanent State Secretary, which will confirm the continued implementation of recommendations of REFORMA's HICD Assessment to institutionalize the strategic planning process. The work will include coaching new staff on formulating and refining strategic goals and objectives, developing implementation action plans, establishing performance indicators, and institutionalizing the overall management of the strategic planning function within the Ministry.

Presentation at the International Society for Performance Improvement (ISPI) in Tblisi, Georgia. USAID has recently approved the participation of a contingent of the REFORMA team in the upcoming Europe, Middle East and Africa (EMEA) ISPI Conference on *Improving Performance in Emerging Markets* in September. The REFORMA team submitted a proposal to make a presentation on our comprehensive work to tie reform implementation with capacity development in the development of the mineral resources sector, entitled 'A Systemic Approach: A way towards success in Sector Development in Emerging Markets.' In addition to supporting the participation of several REFORMA staff, we will also sponsor the participation of several of our implementing partners with whom we have conducted our HICD assessments and interventions.

2. Improving the Business Environment for Mining and Mineral Resources

Improving the business environment for mining and mineral resources is one of REFORMA's core work streams. A foundation of our support, and one that will drive sector development activities for the remainder of the project, has been to assist the Mineral Resources Policy Department at the MoE to develop a Medium- and Long-Term Development Strategy. REFORMA competitively selected a consortium of local organizations, led by the Kyrgyz Mining Association, Kalikova & Associates law firm and the Ken-Too Environmental Company, to pursue this activity with input and support from the range of sector stakeholders. The consortium has spent the first half of 2013 conducting its study of international practices and engaging local stakeholders in policy dialogue by conducting numerous round tables and policy seminars to discuss policy options for adoption in the Kyrgyz Republic.

At the same time, REFORMA has been preparing Kyrgyz Government institutions to implement the Development Strategy by undertaking Human and Institutional Capacity Development (HICD) diagnostic assessments within both the MoE and the State Geology Agency and launching capacity development programs addressing critical needs for performance improvement. Previously, we had worked with the MoE to develop a Strategic Plan, including one for promoting better stakeholder communications, and initiated the institutionalization of a strategic planning and performance monitoring process within the Ministry. In the State Geology Agency, REFORMA finalized its performance assessment at the beginning of the second quarter and, after presenting our findings to the Agency's stakeholder group of international donors, REFORMA initiated two identified activities designed to close key gaps in the Agency's ability to fulfill its policy implementation function.

Medium- and Long-Term Development Strategy for the Mineral Resources Sector

REFORMA Activities in Q2 2013

The REFORMA strategy development team spent the quarter fine-tuning its initial assessment of policy options, taking into consideration the substantial feedback the team received from Government, Parliamentary, private sector and other stakeholder participation in our series of round tables and policy seminars conducted throughout the first quarter. As of the end of the second quarter, the team has nearly completed the Draft Development Strategy, which the REFORMA team will present publicly at the beginning of the third quarter.

Planned REFORMA Activities for Q3 2013

REFORMA has tentatively set the dates for presenting the Draft Strategy to stakeholders, according to the table below:

Planned Presentations of the Draft Development Strategy for the Mineral Resources Sector

Format and Topic	Proposed Date and Time	Target Audience
Presentation of the Draft Mining Development Strategy to the Ministry of Economy	Monday, 23 July (tentative)	Ministry of Economy, State Geology Agency, State Inspector for Ecology and Technical Safety
Presentation of the Draft Mining Development Strategy to the Parliamentary Committee for Energy, Fuel and Mineral Resources	Tuesday, 6 August (tentative)	Committee Members of Parliament
Presentation and Public Discussion of the Draft of Mining Development Strategy to all stakeholders	Wednesday, 7 August 9 am – 12 pm	100 Experts and Stakeholders
Press Briefing	Wednesday, 7 August 12 am – 1 pm	30 Journalists and Members of the Mass Media
Presentation to Other Stakeholders	September TBD	Donors Organizations

Following these presentations, REFORMA will work with the Government and other stakeholders to determine how to support the adoption and execution of the Strategy. This includes helping to create an implementation Action Plan, supporting the harmonization of laws and regulations with policies reflected in the Strategy, providing further institutional development support to build implementation capacity within counterpart institutions, and promoting public awareness of the benefits of Strategy implementation

Human and Institutional Capacity Development (HICD) at the State Agency for Geology and Mineral Resources

REFORMA Activities in Q2 2013

Phase I HICD Performance Assessment. REFORMA and its implementing partner, Central Asian International Consulting (CAI Consulting) completed the majority of its HICD Assessment at the State Geology Agency during the first quarter of 2013. Throughout the assessment period, REFORMA staff provided continuous support and capacity development to CAI Consulting in areas such as performance assessment tools and methodologies, process mapping, report writing and report presentation.

On April 1, the team presented its Assessment Report to senior agency management and department heads to ensure buy-in and ownership of assessment findings. Upon finalizing the Performance Assessment Report, which included an outline of findings, performance gaps and recommended solutions, the REFORMA team conducted a second meeting of the Stakeholder Group on April 30. At this meeting, CAI Consulting presented the results of the Assessment to agency management, donor organizations, and stakeholders supporting the development of the mining sector, including World Bank, GIZ, Soros Foundation, Eurasia Foundation of Central Asia, and MoE officials, as well as members of the REFORMA's mining strategy team. As a result, several other donor organization have begun to employ REFORMA's Assessment Report to identify their own assistance activities to close performance gaps and build Agency capacity for sector management.

Our assessment findings helped us to determine which activities align well with the strengths of REFORMA's project design and experience that we will pursue in the Phase II implementation of the HICD program. These activities are those that require substantial use of local professionals and firms available in the Kyrgyz market, particularly those that require knowledge of the Kyrgyz legal and regulatory framework, information technology specialization, and the availability of continuous, locally based project management to ensure activity implementation.

Using this criteria, REFORMA has chosen three initial implementation activities: (1) Development of a modern, interactive web site, available in three languages, that communicates development policies, promotes public transparency, and serves as a repository for critical documents to be used in auctions and competitive tenders of mining exploration rights; (2) Development of a comprehensive data base, as a central and definitive repository for information on mining licenses, to be expanded in the future to include cadastral and geological information; and (3) Development of a system of standard report templates and reporting processes for the required semi-annual report submissions of private sector exploration and mining activities. In June, REFORMA issued competitive tenders for implementation of the first two activities and selected the Yaros and TimelySoft companies, respectively, to undertake these projects. In addition, REFORMA hired the information technology specialist engaged in assessing the Agency's IT infrastructure component of the HICD Assessment as a part-time advisor to the Agency and as project manager for these two IT-related implementation activities.

Participation of a Kyrgyz Mining Delegation at the MINEX International Mining Industrial Forum in Astana, Kazakhstan. In the second quarter, REFORMA assisted a delegation of Government counterparts to participate in the Fourth Annual MINEX International Mining Industrial Forum, held from April 16 to 18 in Astana. REFORMA sponsored the participation of six Government officials from both the MoE and the State Geology Agency. The purpose of the forum is to stimulate multilateral discussion of regional perspectives for development of the mineral resources

sector. In addition, Director of the State Agency for Geology and Mineral Resources, Mr. Ishimbal Chunuev, presented a case for the vast potential of the mineral and raw materials development of the Kyrgyz Republic.

Commodity Procurements for the Mining Policy Department of the MoE and the State Agency for Geology. REFORMA provided information technology equipment the MoE and the State Geology Agency as part of our reform program to stimulate development of the mineral resources sector. At a April 4 ceremony, REFORMA provided computer hardware, advanced geological modeling software, and other equipment to the Mineral Resources Policy Department. Previously, on March 20, REFORMA presented IT hardware and software equipment to the State Geology Agency to close some of the immediate gaps in the Agency's equipment needs. With the launch of the two IT-related HICD implementation projects at the State Geology Agency, REFORMA will further determine the level of additional IT support that the project will propose to provide to the Agency.

Planned REFORMA Activities for Q3 2013

Website Development. In the third quarter, Yaros will undertake and complete website development in partnership with the State Geology Agency. The website will incorporate requirements for website creation, development and maintenance established by the Government for all its official websites using one of the well-known CMS (Content Management System) platforms. It will feature a content management tool that enables authorized users to develop, manage and deliver content in three languages: Kyrgyz, Russian and English. It will have a high level of security and enable fast and easy back-up and data recovery in case of data loss. The website will also provide for mobile applications (tablets and smartphones) and offer website editors a simple means of formulating new content, including use of multimedia. It will enable the use of analytical instruments (integration with Google Analytics) and feedback forms (online requests, comments, surveys, forum), and permit integration with social networks. The site will employ an authorization system to allow different levels of access and provide options for delivering services to website visitors, such as receiving license applications electronically. Yaros is expected to deliver a fully functional website by the end of August. The company must also provide detailed training for the Agency staff on how to maintain and upgrade the web site and ensure timely maintenance and close cooperation with the Agency IT specialist and persons in charge of maintaining the website on behalf of the Agency for a period of six months following completion of the website.

Data Base System Development. A comprehensive data base management system will allow the State Geology Agency to create, update and review data on licenses awarded for mining rights, registered licensees, geological-mining surveys, fluctuations in the value of mineral resource reserves, extraction and loss of minerals during the production phase, geologically explored subsoil, and other critical information required for management of the Kyrgyz Republic's mineral resources. In designing this activity, REFORMA and the Agency team envisions that the system will include the following modules: licensing, reporting, expert appraisal, geological information, and a catalogue of the State Geology Information Fund. The data base will provide access to information for Agency staff, the Department for Mineral Resources within the MoE, other potential public institutions, license holders and the public within a defined access framework that is accessible through the website. As of the end of the second quarter, REFORMA selected local firm TimelySoft to implement this program. TimelySoft will undertake the data base design and development over a six-month period under the direction of Valentina Gaidamako. Ms. Gaidamako will advise both the Agency and the TimelySoft team and will be responsible for full delivery of IT products to be developed by implementing partners.

Optimization of the Reporting Process for Private Sector Mining Exploration and Development. REFORMA is currently developing the scope of work for this project, which will be launched during the third quarter. Its objective is to standardize mining licensee report requirements and reporting templates for the reports that mining companies are required to submit to the Agency, as well as those reports that the Agency submits to various Government institutions such as the MoE, the MoF, and others REFORMA plans to identify and mobilize a local consultant to conduct this activity.

3. Building Human and Institutional Capacity Development (HICD)

Ministry of Economy (MoE)

The USAID REFORMA Project provides HICD assistance to ensure that our counterpart institutions develop the capacity to fully implement and monitor sponsored reforms. REFORMA had selected the MoE as the first counterpart institution to receive HICD support because the Ministry is vested with far-reaching powers to lead economic development and regulatory policy across broad swaths of the Kyrgyz economy, including the mineral resources sector. After completing the assessment phase in 2012, REFORMA then provided assistance in improving strategic planning, streamlining regulations, and strengthening communications processes and capacities of the Ministry.

REFORMA Activities in Q2 2013

Implementation of the Communications Action Plan. REFORMA's work through DoorMedia to help the MoE improve its public relations and communications was completed in the first quarter. In the second quarter, the Ministry's Press Service has begun to execute the Action Plan of the Communications Strategy using public relations techniques Ministry staff learned during the Communication Workshops conducted by REFORMA. In the second quarter, the MoE Press Service implemented the following Action Plan activities:

- Launched media campaigns for the following initiatives sponsored by the MoE: (1) Creation of the Medium- and Long-Term and Mid-Term Development Strategy for the Mineral Resources Sector; (2) Presentation of issues associated with joining the Eurasia Customs Union; (3) Public information about the Government Action Plan for Sustainable Development of the KR (2013-2017); (4) Development of the Methodology for Monitoring and Evaluation of the Effectiveness of the Government Anti-Corruption Policy; (5) Explanatory campaign on Kumtor-related issues.
- Arranged a field tour of senior government officials to the regions of the Kyrgyz Republic to talk to the local communities on mining issues;
- Organized television and radio interviews the Minister and Deputy Ministers on the issues of joining the Eurasia Customs Union;
- Updated daily the news section of the Ministry's web-site, created under the Communications program.

Website traffic monitoring . As part of the Communications Strategy project, REFORMA helped to improve the Ministry's website for disseminating information to businesses and the public. The improved design of the website offers easy navigation and direct access to all web pages. Using Google Analytics, REFORMA monitored how much website traffic increased since the launch of the improved version of the website, comparing the number of visits for the three months, from 27 Oct. 2012 through 28 Feb. 2013, with the period from 01 March – 03 July 2013. This analysis revealed the following indicators:

- The number of visitors to the Investment Opportunities page increased by 100 percent. In the old website, this page was not very visible and was not conveniently located.
- Visits to the website expanded geographically. The number of visits from other countries increased by more than percent; visits from other countries selecting the English language pages increased by more than 23 percent..
- Visits through social network links increased by 54 percent. The number of visitors coming to the website through the Ministry of Economy's Facebook account increased during the three-month period, 794 visitors to 1,130, an increase of 42,32 percent. Visits coming thorough Twitter increased from 3 to 120 for the same period, an increase of nearly 4,000 percent.
- The number of website visits accessed through mobile devices increased by 56 percent, with the average length of visit increasing by 28 percent.
- The REFORMA Communications project created a new design of the *Bank of Documents* page, making it user-freindly and easy to navigate. As a result, the number of page views increased from 586 to 1,879, or 220 percent. The number of unique visitors increased from

210 to 1,175, an increase of 459%. At the same time, webpage download speed decreased by 12 percent. After the redesign, document search became easier and faster, resulting in 80 percent of all visitors to the page using the document search tool.

Planned REFORMA Activities in Q3 2013

Strategic Planning. The timing of REFORMA's continued assistance in institutionalizing the strategic planning process was delayed in the second quarter due to a delay in the Government's approval of proposed changes to the MoE's organizational structure. Now approved, and with the appointment of REFORMA's primary counterpart at the MoE to Permanent State Secretary, REFORMA can now assume its plan to help the Ministry to further institutionalize its strategic planning and performance monitoring process. This involves providing assistance to a newly established function within the State Secretary's office and will include coaching new staff on formulating goals and objectives, developing action plans, establishing performance indicators, communicating with other departments, and managing the overall strategic planning and budgeting process. REFORMA will also continue to support the Ministry in the execution of its Communications Strategy and Action Plan.

To further support the Communication Strategy, REFORMA will support the Ministry in conducting field meetings with its regional staff and businesses to communicate to them the new strategic planning process and Communications Strategy.

Counterpart Departments. As previously considered, REFORMA also plans to undertake a more detailed functional capacity assessment of counterpart departments charged with implementing reforms supported by REFORMA, particularly the Mining Policy Department and the Entrepreneurship Policy Department. In this way, REFORMA will fully integrate its policy reform work with improving the capacities of departments and individuals engaged with implementing policy reforms.

Tourism Department of the Ministry of Culture, Information and Tourism

REFORMA Activities in Q2 2013

In response to a request for assistance in developing the human and institutional capacity of the Tourism Department by both the Deputy Minister of Tourism and private sector stakeholders, REFORMA recently launched its third HICD Assessment Program. Upon receiving 11 tender proposals, at the end of the second quarter REFORMA selected CAI Consulting, in cooperation with Signum Consulting, to implement the HICD Assessment.

The REFORMA team launched its kick-off meeting with the Tourism Department on June 27 to introduce staff to the HICD process for identifying the department's strengths and opportunities, determining performance gaps, and recommending solutions to improve its operations and ability to lead development of this promising sector of the Kyrgyz economy. The assessment team drew up and submitted a detailed work plan for conducting the performance assessment, which is expected to be completed by September.

Planned REFORMA Activities in Q3 2013

HICD Phase I Assessment. The REFORMA team will follow its HICD Assessment methodology to conduct the assessment of the Department of Tourism during the third quarter. This will include conducting in-depth interviews with Tourism Department staff, undertaking a peripheral stakeholder survey and a target audience survey, and forming a stakeholder group to include tourism business associations, members of other key Government institutions, and international donors supporting the sector. Following this analysis, the team will identify gaps at three performance levels: (1) organizational-level gaps, including strategy, goals, mission and vision, functions, current flow of input and output between functions, formal organizational structure, organizational efficiency, performance monitoring and performance management systems; (2) process-level gaps, including the links between the organization's goals and their customer/organization requirements, design of business processes, efficiency and effectiveness of business processes to accomplish the process

goals, and others; and (3) job/performer-level gaps, including human resource management systems, policies and procedures, job descriptions, resources, incentives and rewards, and knowledge and skills. These activities will provide the critical input into developing a Performance Solution Package that identifies specific activities for performance improvement during the Phase II Implementation stage.

Review of the Legal and Regulatory Structure of the Tourism Sector and Draft a Revised 'Law on Tourism.' The Tourism Department of the Ministry of Culture, Information and Tourism has also requested that REFORMA provide assistance in undertaking a review of the legal framework for tourism. This task has been identified as a tourism development activity outlined in the Swiss-funded International Trade Center's (ITC) export development strategy, which is nearing completion of its eight-month development process. Although developing the tourism sector is crowded with international donor assistance, no organization has offered to provide support for improving the overall business environment through legal and regulatory review. In the third quarter, REFORMA will work with the Tourism Department to design a scope of work to undertake this activity, which should also help determine the provisions required for a revised 'Law on Tourism.'

4. Implementing REFORMA's Fiscal Assistance Agenda

Indirect Tax Policy and Administration

Conduct of Indirect Tax Policy and Administration Study. In response to Government requests and with the endorsement of the private sector, REFORMA undertook an analysis of the Kyrgyz Republic's indirect tax regime during the first quarter of 2013 to recommend optimal solutions for VAT and sales tax policy and administration. The team of international tax advisors undertaking the study conducted three round-table presentations of their recommendations to key Government and business associations prior to their departure at the end of the quarter. During the second quarter, the international advisors finalized the document, which REFORMA distributed to counterparts and stakeholders.

The study evaluated the fiscal and economic implications of several courses of action, which included eliminating or phasing out the sales tax, adjusting the VAT registration ceiling, reducing fraud in VAT reporting, and honoring the timely payment of legitimate applications for VAT refunds. It also considered how international practices in tax policy could be implemented within the context of the Kyrgyz economic and political environment, and analyzed the potential economic and fiscal impact of various policy choices on business growth and revenue collections. The study also evaluated current challenges in VAT and sales tax administration to make specific recommendations to improve and simplify the administrative regime in reporting, collection and refunding.

REFORMA Activities in Q2 2013

In presenting the preliminary results of the study to First Vice President Joomart Otorbaev, he recommended that REFORMA provide leadership and support to the formation of a public-private working group to discuss all indirect tax policy and administrative recommendations and reach consensus on a solution to present to the Government. REFORMA initially planned to issue a tender in the second quarter to contract a local organization to play a coordinating role in convening the working group. The Government's functional restructuring, however, introduced a delay into the formation of this group by proposing to transfer responsibility for fiscal policy formulation and implementation from the MoE to the MoF. Throughout the remainder of the quarter, functional responsibility for fiscal policy was not yet finalized, and REFORMA was forced to delay the formation of this working group. By the end of the quarter, however, it has appeared that the MoF will absorb this function, and REFORMA will work with the working group during the third quarter. The MoF has already created an intergovernmental working group to consider tax policy options, and REFORMA will determine what role this group will play in promoting the requested public-private dialogue to reach consensus in indirect tax policy recommendations.

Planned REFORMA Activities in Q3 2013

Analysis of State Tax Service (STS) Administrative Processes and Private Sector Experience of VAT Registration, Reporting, Crediting and Refunding. During the conduct of REFORMA's Indirect Tax Policy Study, our advisors identified a number of administrative processes that affect the ability of the STS to efficiently and effectively manage implementation of the VAT regime. At the same time, the private sector contends that the VAT system is needlessly burdensome in compliance requirements, which is driving its advocacy efforts to increase the VAT registration threshold from 4 million to 10 million som. Among the specific problems identified were: (1) the mandatory use of security invoices in the STS's attempt to curtail fraud; (2) excessive documentation required for the submission of monthly VAT reports; (3) widespread rejection of what are claimed to be legitimate VAT credits; (4) failure to remit VAT refunds to exporters. The STS counters these complaints with accusations of widespread VAT fraud on the part of the private sector as well as deliberate attempts of businesses to avoid reporting revenue above the 4 million som threshold that would trigger mandatory VAT registration. Overall, the REFORMA study concluded that VAT invoicing and reporting requirements penalize legitimate VAT taxpayers while failing to significantly curtail the incidence of fraud. The study identified several recommendations to improve administrative processes in VAT registration and inspection that would have far greater impact on combatting fraud.

Consequently, REFORMA has designed a follow-on study to address specifically the STS's business processes associated with VAT administration, while determining where the major bottlenecks exist in private sector compliance with VAT reporting. The goal of the study is to identify specific recommendations to improve the way in which the STS administers the VAT regime to improve tax collections by reducing opportunities for fraudulent VAT activity while reducing private sector incentives to avoid VAT registration. The study will identify where the real burdens for VAT reporting and payment exist for the private sector and make recommendations for eliminating burdensome administrative requirements. This will encourage the Government to adopt REFORMA's recommendations to eliminate or phase the duplicative sales tax while bringing all private business into the VAT system throughout a simplified VAT regime.

Early in the third quarter, REFORMA will issue a competitive tender to local firms to undertake a two-part study to conduct: (1) a comprehensive assessment of the STS's business processes in administering the VAT regime; and (2) a survey of VAT taxpayers to determine the business processes they undergo in registering, reporting and paying VAT. REFORMA will mobilize an international VAT advisor to work with the selected implementing partner in conducting the STS business process review, undertaking surveys of VAT taxpayer experience, analyzing the results of the study, and recommending changes to legislation, regulation, business processes, administrative policy, and other issues that hinder the efficient implementation of the VAT regime.

Public Outreach, Awareness and Training of STS Officials for Introducing the Universal Tax Declaration Regime

REFORMA Activities in Q2 2013

In late 2012, the REFORMA Project agreed to assist the STS to begin to introduce a system of universal tax reporting that will be required for all forms of economic activity beginning in 2016. Through competitive tender, REFORMA selected the Chamber of Tax Consultants (CTC) in the first quarter of 2013 to undertake the public education and training program throughout the remainder of the year. The Chamber prepared and began to execute a full program of public relations, advertising and information to be distributed through electronic and print media across the country. It held local competitions to create appropriate public communications message(s) and to design the print, electronic, broadcast, and audio/visual outreach and awareness materials to educate the public on the tax reporting requirements. The Chamber also designed the public education/outreach ad placement plan, a plan for the distribution of printed materials throughout the Kyrgyz Republic and a recommended electronic media delivery program.

Beginning in March, the Chamber launched REFORMA's media program on behalf of the STS, which involved writing columns and placing ads in key newspapers throughout the country in advance of this year's April tax deadline. Subsequently, the campaign switched focus to publicize the anticipated and now, executed, Law on Tax Amnesty that the President signed in late June. During the second quarter, the Tax Declaration Campaign pursued the following activities:

Second Quarter Universal Tax Declaration Activities

Month/Date	Activity
April	Ongoing Newspaper Column: <i>"If you did not file the tax declaration by April 1 but decided to rectify the omission..."</i> and two taxpayer success stories that describe receiving tax deductions by filing the universal tax declaration placed on Facebook and on key websites of the declaration campaign – STS, MoE, Chamber of Tax Consultants, in Russian.
April	Responses given to questions posed on the <i>"Questions and Answers"</i> Banner on the Kabar Information Agency in Russian – Questions related to patent holders and whether they are obliged to file a tax return. The general public confuses universal declaration with annual tax filing. Many patent holders are not aware of the requirement to file a tax return.
April	Arranged for the STS to send letters to seven mass media outlets requesting that they offer a social advertisement discount for placement of public outreach materials.
April	Commenced work with I-media Company on developing scripts for producing five video commercials and audio announcements on tax amnesty and uniform tax declarations.
April 26	Placement of the column <i>"Useful Information to Assist the Taxpayers"</i> on the following topic: <i>"What needs to be done if you missed the deadline for filing the uniform tax declaration (UTD) before April 1?"</i> in Russian in Vecherniy Bishkek and in Kyrgyz in Super-Info and Osh Shamy newspapers. Information also placed on Facebook and on key websites of the declaration campaign.
May	Gathered opinions of taxpayers about the quality of the STS website by: telephoning the most active 50 members of the CTC, distributing a letter to 2,800 CTC website subscribers at www.nalogi.kg website, interviewing 46 participants of CTC seminars and training courses, and interviewing 10 clients of the CTC. Summarized and analyzed these comments and developed recommendations and proposals to the STS to eliminate them, including expanding the website user capabilities.
May	Developed the slogan for the tax amnesty campaign <i>"Tax Amnesty is Your Opportunity"</i> .
May 27	Tax Awareness Campaign Team Leader, Ms. Tatyana Kim, gave five interviews on the newly signed Tax Amnesty Law that were shown on evening news on the following media outlets that air across the Kyrgyz Republic: (1) OTRK channel; (2) EITR channel; (3) Channel 5; (4) Kabar Agency; (5) Akipress Agency.
May 30	Published the tax amnesty communication message in Salyk Info newspaper in Russian.
May 31	Placed one promotional module on tax amnesty in the following newspapers: Vecherniy Bishkek in Russian, and in Osh Shamy and Super Info in Kyrgyz, immediately after the President signed the Tax Amnesty Law on May 27.
June 6	Held a Press Club on the newly signed Law on Tax Amnesty for 35 participants, including government agency and business community representatives and 13 mass media representatives. A total of 22 publications and informational announcements were published by different mass media after the Press Club.
June	OTRK channel conducted two interviews in Russian and Kyrgyz from Team Leader Ms. Kim and Head of Fiscal Policy Unit of the MoE, Mr. K. Aidaraliev, about the purpose of the press club and the newly signed Tax Amnesty Law.
June	After conducting four focus groups, finalized the description of the main characters of two series of spot commercials on tax amnesty and universal declaration and prepared draft pictures of these characters. The characters will be finalized by the production studio that will win the tender on producing spot commercials
June 13	Finalized five scripts of video commercials and audio announcements on tax amnesty and uniform tax declaration. The scripts will be translated into Kyrgyz after producing and approving the Russian version of the text following the production and editing of the final version of ready video spot commercials.
June 14	Placed a promotional module on tax amnesty in Osh Shamy newspaper in Russian

June 20	Komsomolskaya Pravda published an article about the Press Club and the Tax Amnesty Law in Russian
June 21	Jany Agym newspaper published a communication message on tax amnesty explaining the background and the procedures to file
June 21	Announced a bid among local production studios to produce five animated commercials and audio announcements on tax amnesty and uniform tax declaration in Russian and Kyrgyz. 22 local companies expressed interest to participate in the bid. The bid was closed on July 1 and the tender commission will soon determine the winner.
June 28	Kyrgyz Tuusu published an article about the Press Club and the Tax Amnesty Law in Kyrgyz.

The following table provides circulation information for the newspapers selected for the Universal Tax Declaration's media campaign:

Newspaper	Circulation Figures
Vecherniy Bishkek	Occupies second in popularity. Friday edition has a circulation of 42,000 in Bishkek and Chui Region.
Kyrgyz Tuusu	National circulation of 7,000 copies.
Super-Info	Rates the most popular newspaper in the regions of the Kyrgyz Republic with a circulation of 101,700.
Osh Shamy	Considered the most popular newspaper in Osh city and Osh Region with a circulation of 5,000.
Jany Agym	Holds seventh place in popularity ratings among printed media. Friday edition has a circulation of 7,000 copies throughout the country.
Komsomolskaya	Holds sixth place in popularity ratings among printed media. Thursday edition has a circulation of 10,000 copies.
Salyk Info Newspaper	Operates under the State Tax Service and is distributed among the STS employees and taxpayers through territorial tax offices. Circulation is 5,000 copies.

In the autumn, the Chamber will begin training key STS officials so that they can undertake downstream training of regional tax officers and key opinion leaders across the country. It will create training program materials for conducting training-of-trainers seminars for tax officials throughout the Kyrgyz Republic; determine the training delivery plan, schedule and logistics; and conduct the training courses in eight cities throughout the Kyrgyz Republic –Bishkek, Osh, Jalal-Abad, Batken, Cholpon-Ata, Karakol, Naryn and Talas – to approximately 200 STS Officials over a two-day period.

Planned REFORMA Activities in Q3 2013

Taxpayer Survey for the Universal Tax Declaration Campaign. In June, REFORMA issued a competitive tender to conduct a taxpayer survey of public perceptions of the filing requirements for universal tax reporting, to include attitudes about the recently adopted law that awards tax amnesty to those who voluntarily register sources of assets and income purchased and generated prior to the end of 2012. Results of this survey will assist in planning REFORMA's anticipated public education, outreach and training program for universal tax reporting in 2014 and will provide a set of baseline indicators for reporting REFORMA's level of impact in increasing public awareness of tax reporting requirements. REFORMA received a total of 10 proposals for the conduct of this survey, which we expect to award in early July. The survey will be completed by the end of September and will be repeated one year from now for end-of project impact reporting.

5. Optimizing and Streamlining Business Regulations

Framework Law on Licenses and Permits

After 10 months of review by the Government due to wide differences in opinion among government institutions, the framework Law ‘On Licenses and Permits in the Kyrgyz Republic’ was presented to Parliament before the end of this legislative session. The Parliamentary Committee for Fiscal and Economic Policy will review the law during July and prepare it for discussion when the legislature resumes in September. REFORMA may support Parliamentary hearings on the draft Law, but, overall, our role in the licensing and permitting reform process has been nearly completed. Nevertheless, REFORMA may provide support for implementation of the provision for SROs in the draft Law on Licenses and Permits based on the outcome of its current SRO study.

Self-Regulatory Organizations

REFORMA Activities in Q2 2013

In REFORMA’s draft of the Law “On Licenses and Permits in the Kyrgyz Republic,” there is a provision that provides for the existence of SROs. To better define the role, functions, rights and privileges associated with this provision, the MoE requested assistance from REFORMA in drafting a Law on Self-Regulatory Organizations. Prior to drafting a law, however, REFORMA proposed to sponsor a study of international practices and the legislative framework of the Kyrgyz Republic to help determine whether a law is necessary in the Kyrgyz Republic and, if so, what its primary provisions should include. To undertake this review, REFORMA hired a consultant to during the second quarter. After reviewing international practices, the consultant will canvass the business community and recommend the appropriate legal structure that would define the role, functions, rights and privileges of SROs in the Kyrgyz Republic. The study will identify which SROs operate in the Kyrgyz Republic, create a database of these organizations with relevant information, and present findings to business and professional associations. The work was initiated in late May and is expected to be completed by the end of July.

Planned REFORMA Activities in Q3 2013

Prior to the completion of the study, REFORMA will conduct a Round Table to seek feedback on draft recommendations before presenting final recommendations to the MoE, other Government ministries and agencies, business associations and private sector representatives, and members of the media. If it is determined that the Kyrgyz legal framework requires such legislation, REFORMA will subsequently support the drafting of such a law. Following the submission of the study, if it is determined that a Law on SROs is beneficial to optimizing the regulation of business activity in the Kyrgyz Republic, REFORMA will issue a competitive tender to identify a local organization to draft the Law and undertake further public discussions as part of the development process.

Business Inspections Regime

REFORMA is supporting the MoE to reduce the scale of regulatory and supervisory control of market functions by undertaking a pilot review of the normative legal acts (NLAs) that govern the authorities, functions, and conduct of environmental and technical safety inspections of businesses. The result of this analysis will be to recommend ways to streamline and optimize the underlying legal framework for inspections conducted by the State Inspectorate for Ecological and Technical Safety. To supplement this analysis and determine to what degree laws and regulations have been implemented in practice, REFORMA is also conducting a survey of 150 small and medium enterprises (SMEs), of which 50 will represent the mining sector.

REFORMA Activities in Q2 2013

To undertake this project, REFORMA awarded a competitive tender in June to Eco-Partner, a legal and consulting firm with substantial experience in regulatory and legal analysis. The results of the

survey will inform the design of subsequent activities to reduce the regulatory burdens of inspections while strengthening the capacity of the State Inspectorate as part of a HICD program planned for launch later in the year. Eco-Partner has submitted its revised Project Work Plan and the survey documents it intends to utilize in the conduct of surveys and focus groups of the private sector. REFORMA is currently in the process of approving these documents.

Planned REFORMA Activities in Q3 2013

During the third quarter, Eco-Partner will conduct two primary work streams identified for the program. Under the first work stream, *Optimizing Normative Legal Acts*, Eco-Partner will complete a comprehensive review of the normative and legal acts (NLAs) that address the role, function, conduct, review process, resolution, and technical focus of environmental and technical safety inspections. It will review and summarize the role of the MoE's Department of Entrepreneurial Policy in the inspections regime and analyze the information the Department collects on inspections conducted by the State Inspectorate for Environmental and Technical Safety. It will review the provisions of up to 100 relevant NLAs in the Kyrgyz Republic, and create taxonomy to classify and easily communicate where duplications, gaps, inconsistencies, contradictions, and misaligned terminology exist. Eco-Partner will also review the Regulatory Impact Analyses (RIAs) that relate to the NLAs reviewed.

Once this is completed, Eco-Partner will make recommendations for strengthening the Law 'On Procedures for Inspecting Business Entities' according to best international practice. It will review and study the set of checklists that have been created by the State Inspectorate for Ecological and Technical Safety and compare them for consistency with the body of NLAs and the checklists of other government bodies to determine if any are conducting inspections with duplicative criteria. Finally, Eco-Partner will develop recommendations and draft amendments incorporating proposed changes to legislation and NLAs to harmonize provisions, eliminate duplications and gaps and provide support to all stakeholders throughout the conduct of public hearings that may arise to support the adoption of recommended legislative changes.

Under the second work stream, Eco-Partner will *Assess Inspections Experience* by undertaking a comprehensive, interview-based survey of at least 100 SMEs (plus 50 SMEs engaged in mineral resources exploration and production throughout the country). The study will attempt to determine to what degree the provisions of the identified NLAs governing the conduct of environmental and technical safety inspections have been observed, implemented and enforced. In addition to conducting in-depth interviews with these companies, Eco-Partner will also conduct a total of four round-tables/focus groups with surveyed businesses and other interested participants on topics related to specific categories of technical regulations, regulatory procedures, or the legal/regulatory framework, to be determined jointly with the REFORMA team and relevant government counterparts. Based on the outcomes of surveys and round table/focus groups, Eco-Partner will identify and recommend mechanisms for improving enforcement of laws and regulations that would strengthen the *implementation* of the legal and regulatory framework in practice. It will also utilize information contained from surveys and focus groups to strengthen proposed recommendations for optimizing normative and legal acts regulating ecological and technical inspections.

6. Promoting Platforms for Public-Private Dialogue

The Kyrgyz Republic has established practices for promoting stakeholder participation in setting the economic reform agenda and instituted mechanisms for public-private dialogue (PPD). One of the primary platforms for conducting ongoing policy dialogue between the Government and the business community has been the Business Development and Investment Council. In existence since 2007, the Council is chaired by the Prime Minister. Members of the Council include the First Deputy Prime Minister, the Minister of Economy, the Secretary of the Council, two rotating representatives of international donor organizations, and executive directors of key business associations. Currently, the Council meets approximately quarterly to discuss and attempt to resolve the key obstacles identified by the private sector that limit business growth and investment within the enabling environment.

The Council is supported administratively by a Secretariat, whose funding for staff salaries and office expenses has been provided by EBRD since 2007. The role of the Secretariat is to study reform recommendations originating from the private sector, assist business associations in drafting proposals for consideration by the Council, implement resolutions by the Council which include monitoring the status of these resolutions as proposals are subsequently circulated through the Government for further consideration, and report on Government resolution and implementation of proposed reforms.

Planned REFORMA Activities in Q3 2013

Both the Government and the private sector believe that the Business Development and Investment Council and its Secretariat play a critical function in promoting public-private dialogue in the Kyrgyz Republic. The Secretariat not only supports the resolution of issues brought before the Business Development and Investment Council, it also conducts a number of public-private round-table sessions to discuss additional reform priorities identified by the private sector, sometimes on behalf of the international donor community. Periodically, it also supplements its income by undertaking studies or projects financed by international donor organizations or the directly from the Government. The Secretariat wants to become more active in seeking these research opportunities in the future as a continued source of funding.

Although both the business community and the Government view the Secretariat's performance as highly positive, as reflected in a recent informal survey, REFORMA believes that it could be substantially more effective in supporting PPD if it were able to develop and implement a more formal strategic plan. The Secretariat is not a sustainable institution, and without a formal road map for development, it is not likely to be able to identify how it can become sustainable in the future. Consequently, REFORMA plans to engage the input of an international advisor in PPD to help the Secretariat formulate its long-term strategic goals. This would greatly enhance its ability to improve the services it provides to both the Government and the private sector, play a more robust role in driving the implementation and monitoring of economic reforms, and ensure its eventual sustainability as a long-term resource for strengthening the enabling environment for business and investment growth in the Kyrgyz Republic. To begin to implement this strategy, REFORMA also plans to provide grant funding to the Secretariat when our Grant Program is approved by USAID, provided that it develop an action plan for achieving its strategic objectives that is rooted in a sound institutional development model. In this respect, the international advisor will also assist the Secretariat in writing a grant proposal that would reflect implementation of the first year's action plan prior to the end of REFORMA's period of performance in September 2014.

REFORMA has identified the PPD advisor, whom we plan to mobilize for two visits to the Kyrgyz Republic during the 3-month period from September to November. The advisor is a senior executive of REFORMA's US subcontracting partner, JE Austin and Associates. Planned activities for this program include the following items:

1. Undertake an assessment of the Secretariat's current role, objectives, activities, processes and methodologies, and provide recommendations for strengthening both the Secretariat as a PPD institution and the capacities of its staff based on international practices implemented in other countries;
2. Evaluate the role, objectives and processes of the Business Development and Investment Council and make recommendations for improving its efficiency and effectiveness as a PPD platform to strengthen the business and investment environment;
3. Work with the Secretariat to create a Five-Year Strategy to include implementation of recommendations for institutional strengthening as well as determine what measures to take to position itself for building long-term sustainability;
4. Work with Secretariat to create a First Year Action Plan for implementation of the Strategic Plan for the period October 2013 – September 2014;
5. Work with the Secretariat to draft a grant proposal for implementation of the First Year Action Plan.

7. Supporting Business Association Policy Analysis and Advocacy

Support for Discussion of Development of the Ski Tourism Cluster. In conjunction with our current activity to research international practices in self-regulation, in May REFORMA sponsored a two-day meeting of ski tourism businesses and national and local government officials in Karakol. The purpose of the meeting was to discuss the development of a “Ski Tourism Cluster,” a new concept for developing the skiing industry in the Kyrgyz Republic that is being considered for inclusion in the President’s Sustainable Development Strategy Road Map 2013-2017. The leaders of this initiative, including the Union of Entrepreneurs and the Secretariat of the Investment Council, presented their vision of the responsibilities and privileges self-regulatory authority could take, including the autonomy to set facility and service standards and to monitor compliance to stimulate growth. The organizers also unveiled a proposed program of tax incentives designed to draw private investment into infrastructure development. REFORMA agreed to sponsor this meeting in response to our goals to improve the business environment and investment climate for sector development and promote public-private dialogue to determine reform priorities.

8. Primary Events Conducted and Deliverables Produced During the Second Quarter of 2013

2.1 Seminars and Public Events

1. April 1, 2013 – Presentation of Preliminary HICD Findings by CAIC to Management of the State Geology Agency.
2. April 4, 2013 – Ceremony for the Handover of Computer Equipment to the Ministry of Economy’s Mining Policy Department.
3. April 30, 2013 – Second Meeting of the Stakeholder Group of the State Geology Agency under the HICD Program.
4. May 16-17, 2013 – Round Table for discussion of the development of the Ski Tourism Cluster in Karakol.
5. June 6, 2013 – Press Club Presentation on the newly signed Law on Tax Amnesty as part of the Universal Tax Declaration Campaign.
6. June 27, 2013 – Kick-off Meeting for the HICD Assessment of the Tourism Department of the Ministry of Culture, Information and Tourism.

2.2 Reports and Studies

1. REFORMA ‘*Indirect Tax Policy and Administration, Assessment and Recommendations*’, English and Russian.
2. REFORMA ‘*Report on the Assessment of the State Agency for Mineral Resources*’, English and Russian.
3. REFORMA ‘*Report on the Development of the Communications Strategy of the Ministry of Economy*’, English and Russian.
4. Collection of Works from the Fifth Scientific-Practical Conference on ‘*Issues in Using the Tax Code of the Kyrgyz Republic*’, the Kyrgyz-Russian Slavic University, Finance and Credit Department.

2.3 Brochures

1. USAID REFORMA Newsletter, Issue 2, June 2013.

9. Administrative and Staffing Issues

REFORMA has no administrative or staffing issues.

10. Subcontracting and Grant Pipeline, Performance and Results

The following is a complete history of REFORMA's Subcontracts, including those that have been completed, those still ongoing, and those in the pipeline for award and launch.

REFORMA Subcontracting History and Awards

<i>Subcontracting Activity</i>	<i>Subcontractor(s)</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
Optimizing and Streamlining Business Licenses and Permits	Foresight Foundation	Mar 2012	3 months	\$70,425	Completed
	<i>Description of the Subcontracting Activity</i>				
	Completed the review and recommendations for optimizing and streamlining business licenses and permits. Drafted and submitted to the Government required changes to all normative legal acts (NLAs) to implement the recommended elimination of licenses and permits. Signed into law the elimination of 97 of those recommended.				
Mining Action Plan Advisory	International Business Council (IBC)	Mar 2012	6 weeks	\$15,000	Completed
	<i>Description of the Subcontracting Activity</i>				
	Helped to create REFORMA's Mineral Resources Development Action Plan, as a road map to provide comprehensive assistance to improve the business and investment environment for sector development by getting stakeholder feedback from the public and private sectors.				
HICD for the Ministry of Economy – Phase I Assessment	Promotion and Development Center (PDC)	May 2012	4 months	\$49,675	Completed
	<i>Description of the Subcontracting Activity</i>				
	Completed the Phase I Assessment of REFORMA's first Human and Institutional Capacity Development (HICD) Program with the MoE. Realigned 39 functions identified through analysis of 96 laws, resolutions, and regulatory and reduced them to 16 by drafting functional Regulations for the Ministry. Provided support in helping the MoE develop the Government's pilot program budgeting process.				
Re-draft the 'Law on Licenses' and Submit RIA on Proposed Law	Foresight Foundation	May 2012	6 weeks	\$24,150	Completed
	<i>Description of the Subcontracting Activity</i>				
	Drafted a framework 'Law on Licenses' and completed the attendant Regulatory Impact Analysis (RIA) for the law.				
Medium- and Long-Term Development Strategy for the Mineral Resources Sector	Kyrgyz Mining Association (KMA), Kalikova & Associates, Ken-Too Company	Aug 2012	6 months	\$149,820	Ongoing
	<i>Description of the Subcontracting Activity</i>				
	Creating a national Medium- and Long-Term Development Strategy for the Mineral Resources Sector that will involve all stakeholders in the discussion of policy choices across legislative, regulatory, fiscal, environmental, educational and social spheres to stimulate sector growth and development.				
HICD for the Ministry of Economy – Phase II Strategic Planning	Promotion and Development Center (PDC)	Sep 2012	9 weeks	\$34,460	Completed
	<i>Description of the Subcontracting Activity</i>				
	Assisted the MoE to develop a Strategic Plan and to institutionalize a strategic planning process that will drive REFORMA's future HICD assistance to reform counterpart departments.				
Strengthening Public	Door Media	Jan 2013	4 months	\$61,095	Completed

REFORMA Subcontracting History and Awards

<i>Subcontracting Activity</i>	<i>Subcontractor(s)</i>	<i>Award Date</i>	<i>Period of Perform.</i>	<i>Contract Value</i>	<i>Status</i>
Relations and Communications for the Ministry of Economy	<i>Description of the Subcontracting Activity</i>				
	Provided a range of technical assistance activities to improve the MoE's public relations and communications capabilities. Conduct a Target Audience Survey, assessment of MoE's current communication systems, activities, tools and capacities of Ministry leadership and its Public Relations Unit, and an assessment of its web site. Develop a Communications Strategy and Action Plan, provide on-the-job training and coaching of the PR Unit to implement the Action Plan, design and implement a Monitoring and Evaluation (M&E) Plan, and improve Ministry's web site.				
HICD Assessment for the State Geology Agency	CAI Consulting	Jan 2013	2 ½ months	\$61,310	Completed
	<i>Description of the Subcontracting Activity</i>				
	Conducted a full diagnostic study of Agency's organization, its functions and its activities, identifying performance gaps, and recommending targeted performance solutions. The Assessment team will also undertake a thorough inventory of the Agency's computer and information technology equipment and determine its IT needs.				
Public Outreach, Awareness, and Training of STS Officials for Introducing the Universal Tax Declaration Regime	Chamber of Tax Consultants	Jan 2013	12 months	\$146,320	Ongoing
	<i>Description of the Subcontracting Activity</i>				
	Undertaking a Public Education and Outreach Campaign and conduct a Training of Trainers for 200 STS Officials for the introduction of Uniform Tax Declaration, undertake				
Implementation of Media Plan for the Public Outreach for the Universal Tax Declaration Regime	Chamber of Tax Consultants	Jan 2013	10 months	\$122,819	Ongoing
	<i>Description of the Subcontracting Activity</i>				
	Purchasing printing and media for Public Education and Outreach Campaign For the introduction of Universal Tax Declaration for 2013.				
Optimization of the Legal and Regulatory Framework and its Implementation in Conducting Business Inspections by the State Inspectorate for Ecological and Technical Safety	Eco-Partner	Jun 2013	4 months	\$97,511	Launched
	<i>Description of the Subcontracting Activity</i>				
	Optimizing Normative Legal Acts by undertaking a comprehensive review of the body of NLAs that may address the conduct of ecological and technical safety inspections and undertaking a comprehensive, interview-based survey of SMEs to determine to what degree laws and regulations have been observed, implemented and enforced in practice.				
HICD for the State Geology Agency – Phase II Web Site Development.	Yaros	Jun 2013	2 months	\$14,684	Launched
	<i>Description of the Subcontracting Activity</i>				
	Developing a modern and functional website for the State Agency through which it can communicate transparency in its operations to the public and provide information and required documentation to potential future investors participating in the auctions and competitive tenders of mining rights.				
HICD Assessment for the Tourism Department of the Ministry of Culture, Information and Tourism	CAI Consulting/Signum	Jun 2013	2 months	\$36,541	Launched
	<i>Description of the Subcontracting Activity</i>				
	To conducting a full diagnostic study of Agency's organization, its functions and its activities, identifying performance gaps, and recommending targeted performance solutions. The Assessment team will also undertake a thorough inventory of the Agency's computer and information technology equipment and determine its IT needs.				
HICD for the State Geology Agency – Licensing Data Base Development – Phase II	TimelySoft	Jul 2013	6 months	\$125,000	Awarded
	<i>Description of the Subcontracting Activity</i>				
	Developing a comprehensive data base to centralize critical \ information and enable access to this information across the Agency and with the MoE's Mining Policy Department, beginning with information on that allocation of mining licenses.				
TOTAL SUBCONTRACTS AWARDED				\$1,008,810	

REFORMA Subcontracting Pipeline

<i>Subcontracting Activity</i>	<i>Anticipated Tender Date</i>	<i>Anticipated Award Date</i>	<i>Target Period of Performance</i>	<i>Anticipated Subcontract Value</i>
Tax Declaration Awareness Baseline Survey	Jun 2013	Jul 2013	3 months	\$35,000
VAT Working Group Consensus	Aug 2013	Sep 2013	4 months	\$25,000
Analysis of STS Businesses Processes and Private Sector Experience of VAT Registration, Reporting, Crediting and Refunding	Jul 2013	Sep 2013	4 months	\$100,000
Review of the Legal and Regulatory Structure of the Tourism Sector and Draft a Revised 'Law on Tourism	Aug 2013	Sep 2013	4 month	\$50,000
Ministry of Economy HICD Implementation (Strategic Planning Process Support) - Phase II	May 2013	June 2013	2 months	\$30,000
Total Anticipated Awards				\$240,000

11. Quarterly Financial Report

Budget Cost Elements	Budgeted Amount	Disbursed Amount	Accrual Amount	Expended Amount*	Remaining Budget to Complete
Labor	\$1,345,456	\$669,312	\$53,000	\$722,312	\$623,144
Program Expenses	\$3,331,497	\$386,231	\$134,220	\$520,451	\$2,811,045
ODCs	\$938,047	\$836,300	\$3,500	\$839,800	\$98,247
Overhead	\$656,803	\$331,883	\$18,225	\$350,108	\$306,696
G&A	\$1,217,124	\$452,321	\$18,136	\$470,457	\$746,667
Fixed Fee	\$224,676	\$80,290	\$6,728	\$87,018	\$137,658
Total	\$7,713,598	\$2,756,336	\$233,809.00	\$2,990,145	\$4,723,453

Disbursed + Accrued

12. Quarterly Report Annexes

Reform Activity	Name of Annex	English	Russian
REFORMA Newsletter	USAID REFORMA Newsletter – Issue 2 – June 2013	X	X
Mining	Report on Mining Central Asia – Chunuev	X	
	Report on Mining Central Asia – Gainanov	X	
Inspections Legal Review and Survey	Inspections Work Plan (Eco-Partner)	X	X
	Inspections Research Methodology	X	X
	Inspections Interviewer's Guide	X	X
	Inspections In-Depth Interview Survey	X	X
	Inspections Survey Questionnaire	X	X
Self-Regulatory	SRO Project Work Plan	X	X

Reform Activity	Name of Annex	English	Russian
Organizations Research	List of Countries with NLAs for SROs		X
	Analysis of NLAs of Baltic Countries for SROs		X
	SRO Preliminary Mid-Term Report		X
HICD for the State Geology Agency	HICD Assessment Report of the State Geology Agency (CAI Consulting)	X	X
	Performance Assessment Results Presentation to Stakeholder Group Meeting (CAI Consulting)	X	X
	Performance Assessment Presentation Handouts to Geology Agency		X
	HICD Report Stakeholder Distribution List	X	
	Phase II Work Plan for Website Development (Yaros)	X	X
HICD for the Ministry of Economy	MoE Communications Strategy Final Report (Door Media)	X	
	MoE Communications Strategy (Door Media)	X	X
	MoE Communications Action Plan (Door Media)	X	X
	MoE Communications Assessment Final (Door Media)	X	X
	Door Media Testimonial Letter to REFORMA		X
	MoE Website Monitoring Reports		
HICD for the Department of Tourism	HICD Kick-Off Meeting Presentation to the Tourism Department		X
	Work Plan for the HICD Assessment at the Tourism Department (CAI Consulting)	X	X
Tax Policy and Administration	REFORMA Indirect Tax Policy and Administration, Assessment and Recommendations	X	X
	Collection of Works from the Fifth Scientific-Practical Conference on 'Issues in Using the Tax Code of the Kyrgyz Republic,' the Kyrgyz-Russian Slavic University, Finance and Credit Department		X
Tax Declaration Public Education Campaign	Tax Declaration Campaign – First Quarterly Report (Chamber of Tax Consultants)		
	Tax Amnesty Communication Message (also in Kyrgyz)	X	X
	Press Club Tax Amnesty Presentation (also in Kyrgyz)	X	X
	Press Club Invitation		X
	Press Club Agenda	X	X
	Press Club Banner (also in Kyrgyz)		X
	List of Press Club Participants	X	X
	Press Club and Tax Amnesty Information (also in Kyrgyz)		X
	Published Tax Amnesty Communication Message (also in Kyrgyz)		X
	Published Tax Amnesty Communication Message (also in Kyrgyz)		X
	Newspaper Column, 'Useful Information to Assist Taxpayers' (also in Kyrgyz)		X
	Terms of Reference for Video and Audio Production Tender		X
	Audio (2) and Video (4) Scripts on Universal Declaration		X
	Audio (5) and Video (5) Scripts on Universal Declaration		X
Academic Studies in Tax Policy	Collection of Works from the Fifth Scientific-Practical Conference on 'Issues in Using the Tax Code of the Kyrgyz Republic,' the Kyrgyz-Russian Slavic University, Finance and Credit Department.		X

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